Mobilisation of the European Globalisation Adjustment Fund: redundancies in machinery sector (Linak) in Denmark

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PURPOSE: to mobilise the European Globalisation Adjustment Fund in respect of redundancies in the mechanical and electronic machinery sector (Linak).

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: Regulation (EC) No 1927/2006 establishing the European Globalisation Adjustment Fund was set up to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the Fund within the annual ceiling of EUR 500 million.

The Commission examined the application made by Denmark to mobilise the EGF. The main elements of the assessment are as follows:

Denmark: EGF/2009/031 DK/Linak: on 8 September 2009, Denmark submitted application EGF/2009/031 DK/Linak for a financial contribution from the EGF, following 198 redundancies in Linak A/S in Denmark. The application was supplemented by additional information up to 30 March 2010.

In order to establish the link between the redundancies and the global financial and economic crisis Denmark argues that the redundancies in Linak A/S are a direct consequence of the abrupt deterioration of demand for mechanical and electronic machinery as a result of the economic crisis and associated recession.

Denmark submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period.

The redundancies at Linak coincide with another series of redundancies requesting assistance from the EGF (**EGF/2009/051 DK/Danfoss Group** – see BUD/2010/2134). Denmark argues that the coincidence of the two redundancy events poses an unusual and difficult situation on the workers and the region concerned, and that this merits the consideration of the current case (Linak A/S) as an exceptional circumstance.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

The proposed contribution from the EGF to the coordinated package of personalised services is **€1 231 508** , representing 65 % of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of **€1 213 508**, to be allocated under heading 1a of the financial framework.

The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal trialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.